Pagaya Receives $75 Million from Longstanding Investor Oak HC/FT to Accelerate M&A Strategy

Leading fintech investor, Oak HC/FT, to support the next phase of growth for Pagaya's differentiated platform on the heels of GIC's increased investment and extended partnership

Pagaya expects to deliver the high end or exceed its 1Q23 guidance ranges for Network Volume, Revenue and Adjusted EBITDA

April 20, 2023 – New York, NY – Pagaya Technologies LTD. (NASDAQ: PGY) ("Pagaya" or "the Company"), a global technology company delivering artificial intelligence infrastructure for the financial ecosystem, announced today that its longtime investor, Oak HC/FT, is investing $75 million in Pagaya in the form of a convertible perpetual preferred security. The preferred converts at $1.25, which reflects a premium of approximately 36% to Pagaya's closing price on April 19, 2023. The investment further strengthens Pagaya's positioning to pursue strategic investments, primarily acquisitions, in the current market, driving value alongside its already strong organic growth profile.

Pagaya is at the forefront of leveraging AI and advanced analytics to increase global access to financial products and services. Making strategic acquisitions is an important part of this vision, combining leading companies to create broader and unique offerings for customers. Pagaya's purchase of Darwin Homes in January 2023 is a prime example of this, expanding its SFR platform into a next-generation, fully integrated offering. The investment from Oak HC/FT will empower Pagaya to continue engaging leading, founder-based fintech companies, who will benefit from the Company's unique AI capabilities.

"This investment gives us the ability to pursue attractive M&A growth opportunities, while continuing to deliver long-term value for our partners and investors," said Gal Krubiner, Co-Founder and CEO. "As the premier fintech network, Pagaya is in a position of strength to provide our synergistic platform to companies looking to thrive in the current market environment."

"Oak has been a long-term, committed partner of Pagaya, due to its unique platform, mission and best-in-class management team," said Annie Lamont, Co-Founder & Managing Partner of Oak HC/FT. "AI is constantly evolving and driving efficiencies across the financial services sector, and Pagaya's timely pursuit of strategic acquisitions is an effective approach to create an even stronger, more comprehensive offering. We look forward to continuing to work together as Pagaya grows and scales its business and influences the future of finance, employing AI and machine learning."

Goldman Sachs & Co. LLC acted as exclusive financial advisor to Pagaya on the investment.

Strong Momentum to Begin 2023

In addition, Pagaya now expects to be at the high end of or exceed its previously provided guidance for the first quarter of 2023 for Network Volume, Total Revenue and Other Income, and Adjusted EBITDA. This continues the Company's already strong start to 2023, including capital raised in the asset-backed securitization market of approximately $2.0 billion year-to-date, GIC's existing fund agreement extension for three more years, and an expanding and diversifying set of investors.

“We are pleased with our strong performance thus far in 2023,” said Michael Kurlander, CFO of Pagaya. “We are grateful for the ongoing support of our longstanding institutional investors, as well as new investors on our platform, who have enabled the continued expansion of our network.”

Summary of the Series A Preferred Stock

The $75 million Series A Convertible Preferred investment by Oak converts at a 25% premium to the 10-Day volume weighted average share price as of April 13, 2023, or $1.25 (the "Conversion Price"). The Conversion Price reflects a premium of approximately 36% to Pagaya's closing price on April 19, 2023. The Preferred has a liquidation preference with a 6% pay-in-kind annual dividend (“PIK Dividend”) with an additional minimum return in certain circumstances. When converted, the PIK Dividend does not add to the converted amount. The Preferred will vote on shareholder matters along with the Common, and will not have other special governance rights. The preferred has no maturity date and cannot be redeemed for cash by the holder prior to a liquidation event. The transaction remains subject to the approval of Pagaya’s shareholders at a special meeting, which is expected to take place in May. Certain shareholders of the Company have entered into a voting agreement, pursuant to which such shareholders agree to vote in support of the transaction. See 6K filed April 20 for full details.

About Pagaya

Pagaya (NASDAQ: PGY) is a global technology company making life-changing financial products and services available to more people nationwide, as it reshapes the financial services ecosystem. By using machine learning, a vast data network and a sophisticated AI-driven approach, Pagaya provides comprehensive consumer credit and residential real estate solutions for its partners, their customers, and investors. Its proprietary API and capital solutions integrate into its network of partners to deliver seamless user experiences and greater access to the mainstream economy. Pagaya has offices in New York, Tel Aviv and Boston. For more information, visit pagaya.com.

About Oak HC/FT

Oak HC/FT is a venture and growth equity firm investing in companies driving transformation in healthcare and fintech, two uniquely complementary and high-growth sectors. With deep domain expertise and strategic resources, Oak HC/FT partners with leading entrepreneurs at every stage, from seed to growth, to build businesses that make a measurable, lasting impact on these industries. Founded in 2014, the firm has $5.3 billion in assets under management and is headquartered in Stamford, CT, with an office in San Francisco. Follow Oak HC/FT on Twitter and LinkedIn and learn more at www.oakhcft.com.

Cautionary Note About Forward-Looking Statements

This document contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that involve risks and uncertainties. These forward-looking statements generally are identified by the words “anticipate,” “believe,” “continue,” “can,” “could,” “estimate,” “expect,” “intend,” “may,” “opportunity,” “future,” “strategy,” “might,” “outlook,” “plan,” “possible,” “potential,” “predict,” “project,” “should,” “strive,” “will,” “would,” “will be,” “will continue,” “will likely result,” and similar expressions. All statements other than statements of historical fact are forward-looking statements, including statements regarding the Company's financial performance; the Company’s strategy and future operations, including the Company’s potential pursuit of M&A opportunities; the development, innovation, introduction and performance of, and demand for, the Company’s products and services; the Company’s ability to continue to invest in the long-term growth and scalability of its business; the Company’s future growth, investments, brand awareness, financial position, gross market value, revenue, transaction costs, operating income, provision for credit losses, and cash flows; general economic trends and trends in the Company’s industry and markets; integration of Darwin Homes and ability to achieve anticipated benefits for such acquisition; our focus on driving further expansion and monetization of our network and achieving sustainable profitability; and the Company’s financial outlook for the first quarter and full year of 2023. These forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Risks, uncertainties and assumptions include factors relating to: the Company's ability to attract new partners and to retain and grow its relationships with existing partners to support the underlying investment needs for its securitizations and funds products; the need to maintain a consistently high level of trust in its brand; the concentration of a large percentage of its investment revenue with a small number of partners and platforms; its ability to sustain its revenue growth rate or the growth rate of its related key operating metrics; its ability to improve, operate and implement its technology, its existing funding arrangements for the Company and its affiliates that may not be renewed or replaced or its existing funding sources that may be unwilling or unable to provide funding to it on terms acceptable to it, or at all; the performance of loans facilitated through its model; changes in market interest rates; its securitizations, warehouse credit facility agreements; the impact on its business of general economic conditions, including, but not limited to rising interest rates, inflation, supply chain disruptions, exchange rate fluctuations and labor shortages; the effect of and uncertainties related to the COVID-19 pandemic (including any government responses thereto); the financial performance of its partners, and fluctuations in the U.S. consumer credit and housing market; its ability to grow effectively through strategic alliances; seasonal fluctuations in our revenue as a result of consumer spending and saving patterns; pending and future litigation, regulatory actions and/or compliance issues including with respect to the merger with EJF Acquisition Corp.; and other risks that are described in the Company's filings with the U.S. Securities and Exchange Commission. These forward-looking statements reflect the Company's views with respect to future events as of the date hereof and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, investors should not place undue reliance on these forward-looking statements. The forward-looking statements are made as of the date hereof, reflect the Company's current beliefs and are based on information currently available as of the date they are made, and the Company assumes no obligation and does not intend to update these forward-looking statements.

Financial Information; Non-GAAP Financial Measures

Some of the unaudited financial information and data contained in this press release, and in our financial reporting more generally, such as Adjusted EBITDA, have not been prepared in accordance with United States generally accepted accounting principles ("GAAP"). To supplement the unaudited consolidated financial statements prepared and presented in accordance with GAAP, management uses the non-GAAP financial measures Adjusted Net Income (Loss) and Adjusted EBITDA to provide investors with additional information about our financial performance and to enhance the overall understanding of the results of operations by highlighting the results from ongoing operations and the underlying profitability of our business. Management believes it provides an additional tool for investors to use in comparing our core financial performance over multiple periods with the performance of other companies. However, non-GAAP financial measures have limitations in their usefulness to investors because they have no standardized meaning prescribed by GAAP and are not prepared under any comprehensive set of accounting rules or principles. In addition, non-GAAP financial measures may be calculated differently from, and therefore may not be directly comparable to, similarly titled measures used by other companies. As a result, non-GAAP financial measures should be viewed as supplementing, and not as an alternative or substitute for, our unaudited consolidated financial statements prepared and presented in accordance with GAAP. To address these limitations, management provides a reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to net income (loss) attributable to Pagaya's shareholders. Management encourages investors and others to review our financial information in its entirety, not to rely on any single financial measure and to view Adjusted Net Income (Loss) and Adjusted EBITDA in conjunction with its respective related GAAP financial measures.

Non-GAAP financial measures used in our financial reporting include the following items:

Adjusted Net Income (Loss) is defined as net income (loss) attributable to Pagaya Technologies Ltd.'s shareholders excluding share-based compensation expense, change in fair value of warrant liability, and non-recurring expenses associated with the business combination with EJF Acquisition Corp. (the "Merger").

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Adjusted EBITDA is defined as net income (loss) attributable to Pagaya Technologies Ltd.'s shareholders excluding share-based compensation expense, change in fair value of warrant liability, non-recurring expenses associated with the Merger, interest expense, depreciation expense, and provision for income taxes.

These items are excluded from our Adjusted Net Income (Loss) and Adjusted EBITDA measures because they are noncash in nature, or because the amount and timing of these items is unpredictable, is not driven by core results of operations and renders comparisons with prior periods and competitors less meaningful.

We believe Adjusted Net Income (Loss) and Adjusted EBITDA provide useful information to investors and others in understanding and evaluating our results of operations, as well as providing a useful measure for period-to-period comparisons of our business performance. Moreover, we include Adjusted Net Income (Loss) and Adjusted EBITDA in our financial reporting because these are key measurements used by our management internally to make operating decisions, including those related to operating expenses, evaluate performance, and perform strategic planning and annual budgeting. However, this non-GAAP financial information is presented for supplemental informational purposes only, should not be considered a substitute for or superior to financial information presented in accordance with GAAP and may be different from similarly titled non-GAAP financial measures used by other companies.

In addition, outlook for the fiscal year, where adjusted, is provided on a non-GAAP basis, which Pagaya will continue to identify as it reports its future financial results. The Company cannot reconcile its expected Adjusted EBITDA to expected Net Loss Attributable to Pagaya under "2023 Outlook" without unreasonable effort because certain items that impact net income (loss) and other reconciling items are out of the Company's control and/or cannot be reasonably predicted at this time, which unavailable information could have a significant impact on the Company's GAAP financial results.

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